

Rural Economies and a Procurement System Not Fit For Purpose

by Tarla MacGabhann



1. Liam McCormack's Burt Chapel. Image courtesy of Gandon Editions

“Like the favourable Corporate Tax rate that successive Irish governments have contended is necessary to rebalance the disadvantage caused by market remoteness, rural areas within Ireland should also be afforded a designated status in order to ensure the survival of local economies.”

The economic recovery in Dublin has not reached the West yet, and especially not Donegal, whose economic fortunes are exacerbated by a number of distinct factors: a political and economic disconnect from Dublin, a proximity to Northern Ireland, where a low sterling value, due to Brexit, has resulted in under-pricing from Northern-Irish firms; and, thirdly, a refusal by the body politic to interpret the EU procurement rules in a way that is fully compliant but at the same time protects local economic conditions.

This economic and political remoteness has recently been demonstrated in a number of recent examples where architectural firms and building contractors have lost public contracts to firms based outside of the State, most recently the Donegal County Council Social Enterprise Offices in Letterkenny.

The major problem for rural regions stems from public bodies using generic procurement models for small and medium-sized construction projects. The models used are more appropriate to multi-million euro infrastructural projects and, more importantly, do not take account of local economic conditions. Ireland's overly strict interpretation of EU procurement directives destroys rural local economies. The criticism is not of the directives themselves, which bring fairness and transparency to the awarding of contracts; however the present model of interpretation and threshold setting used by Irish local authorities always favours either large firms, which are inevitably based in cities, or firms outside the State.

It is incumbent on Donegal County Council and other regional authorities to include a section in their invitations to tender, to award marks for response times, when required for urgent meetings or when unforeseen

situations occur on-site. Quick response time reduces the risk of budget over-spend, and delay to the project, and leaves the Council less open to claims for increased costs being raised subsequently by contracting firms. This section could and should be a part of the cost section of any public tender process, as it will help eliminate cost over runs. This would not infringe procurement rules and best procurement practice. Indeed, if anything, it will make the fee proposals more accurate and will avoid the practice of charging low at the tender stage and clawing back fees on so called “unforeseen costs” once the project is completed.

Like the favourable Corporate Tax rate that successive Irish governments have contended is necessary to rebalance the disadvantage caused by market remoteness, rural areas within Ireland should also be afforded a designated status in order to ensure the survival of local economies. Moreover, regional and local authorities often further exacerbate the remoteness disadvantage by imposing unnecessary conditions of size, turnover and insurance thresholds which instantly exclude many local firms from the competition.

The procurement process should also award marks to firms who have previously worked successfully with the awarding authority; who are based locally, who provide local jobs, who pay rates and who contribute to the local economic, social and cultural life in the region. This may be viewed by some in corporate Europe as anti-competitive; but unless such measures are introduced, the brain drain from local areas will continue and places like Donegal will be left bereft of local expertise and skills. In other words, there will be no rural economy and the large courthouses and schools that are being built now will become underused white elephants by 2030.



2. St Michael's Church at Creeslough by Liam McCormack. Image courtesy of Gandon Editions

Regional awarding authorities need to adopt a more proactive position in adopting and implementing national and local policy to promote and support local rural economies, specifically the NPF *Ireland 2040 Plan*, the Local Authority County Development Plan and the Government's Action Plan for Rural Ireland. The policies contained in these documents highlight the need to support local business, and seek to keep expertise within the county, especially now, given the threat that Brexit poses to the local economy, particularly in border counties. Lip service to these policies is an inadequate response to the economic threat that border counties now face.

Proponents of good quality architecture may fear that if the sole criterion for selecting architects is on them being local, then we could be left with buildings of poor and low architectural standard. But this need not be the case. A transparent way of navigating this (as part of the procurement process) would be to award marks to firms that have won awards, or whose projects have been published nationally and internationally. In this way, a lean, towards protecting the local economy, will be counterbalanced with a track record of proven quality.

Donegal has a strong modern architectural heritage, producing one of Ireland's most renowned 20th century architects, Liam McCormick. Donegal County Council has in the past sought to maintain that tradition by commissioning council offices by award-winning Irish firms. If this tradition is not continued and proactively supported, work continues to flow outside the State.

In the North of Ireland, because the cost of living, salaries and taxes are less, and especially now with the weak Sterling, Euro-based Donegal firms have no realistic chance of competing on fees. In addition, in the North, fees have been greatly tightened over the last 10 years, which can contribute to a low quality of design in public buildings (exceptions being the Lyric Theatre, MAC and Giants Causeway Visitor Centre).

Another problem for remote regions, and especially Donegal, due to its political disconnection from Dublin, is the Public Private Partnership (PPP) model.

Some of the biggest construction projects in Letterkenny in the last 12 years were procured by a method that precludes Donegal architects, engineers and contractors from any involvement, and the PPP projects will cost the Irish State multiples of the actual construction cost, because it is spread over 25 years. No one knows what will happen when the 25 years are up. Will the State be left with buildings that will need substantial refurbishing or replacing, while the firms that deliver and manage the projects have made huge profits? The lessons learned from the Carillion debacle apply just as pertinently to Ireland as it does to the UK. In addition local contractors are automatically excluded (due to size and turnover) and the only construction related beneficiaries are concrete supplying plants and quarries. The PPP method of procurement is very, very poor value for money for the taxpayer.

We have discussed this situation with our local TDs, Chief Whip Minister Joe McHugh, and Leas Ceann Comhairle, Pat the Cope Gallagher. Both are sympathetic and fully supportive of the situation. However I am not sure if there is much they can do if the current model of procuring buildings is continued. If our local public representatives, at ministerial level can do little, this leads to disenfranchisement, communities without a voice, and disillusionment with the EU, which are exactly the same reasons why Britain voted for Brexit.

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